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February 15, 2002

VIA HAND DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: *In the matter of Rulemaking Amendment of Regulations for Telephone
Service Providers*
Docket No. 00-00873

Dear Mr. Waddell:

We are in receipt of the Consumer Advocate and Protection Division's ("CAPD") letter dated January 23, 2002. While the letter purports to respond to the request of BellSouth and others for an evidentiary hearing in this matter, the letter goes far beyond that single issue. It reads as a narration of the CAPD's position and asserts, as fact, various things that are incorrect. Given the CAPD's decision to use this forum as a means to present its case, BellSouth has no alternative except to respond. In highlighting certain issues, BellSouth in no manner agrees to any of the other assertions made in the CAPD's letter. Moreover, BellSouth wishes to note the irony to which the CAPD's letter gives birth: the incorrect basis of the CAPD's various assertions clearly shows the need for an evidentiary hearing during which such assertions can be brought to light, examined and refuted. BellSouth provides the following to address the numerous incorrect and untrue assertions contained in the CAPD's letter.

BellSouth presently operates under the Price Regulation Plan of 1995. As expressly established by the Price Regulation Statute, the TRA lacks the statutory authority to impose more burdensome requirements on telephone companies operating under price regulation than those standards that are consistent with the level of service quality being provided on June 6, 1995. As evidenced by the filing of BellSouth's fourth quarter 2001 Service Standards Report, BellSouth continues to provide quality service to our Tennessee customers. Furthermore, the level of

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service provided in 2001 exceeded the level of service that was provided in 1995. Consequently, the CAPD's assertions of "diminished service quality," "substandard service" and BellSouth's desire to "let service quality decline" are simply inaccurate and are flatly contradicted by current service levels, which exceed 1995 service levels.

As stated above, BellSouth currently operates under the Price Regulation Plan of 1995 as opposed to rate of return regulation. In its letter, the CAPD suggests its desire to see BellSouth return to rate of return regulation. Respectfully, this is not an issue for the CAPD or an issue in this Rulemaking. The General Assembly established the right to operate under price regulation, and BellSouth elected to do so. BellSouth's election to operate under price regulation was also subsequently upheld by the state appellate courts.

BellSouth diligently manages its revenues and expenses while constantly focusing on customer satisfaction. This continues to be very challenging given the evolution of our extremely competitive marketplace. The CAPD's statement that "BellSouth is cutting cost to improve margins by cutting employees which will result in diminished service quality" is conjecture without any factual basis. In reality, as of December 31, 2001, BellSouth employed 165 more network management and non-management employees in Tennessee than were employed as of December 31, 1995. The company's network provisioning, maintenance, repair and installation technicians work diligently to provide the quality service that is documented in our service standard reporting.

The CAPD's assertion that "BellSouth has managed to keep the commercial-industrial class of customer" with "no downward pressure on the revenue side" is absolutely inaccurate. As documented in numerous proceedings before the TRA, BellSouth has lost greater than 30% of our business market in Tennessee. More specifically, BellSouth has lost greater than 50% of our embedded small business customer base in 18 metropolitan wire centers across the state. BellSouth's position is that revenue performance and related market share activity is absolutely irrelevant to the service standard discussion. However, given the CAPD's comments, BellSouth simply desired an opportunity to set the record straight.

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BellSouth continues to believe that imposition of the staff's proposed rules may well dampen competition by creating unnecessary barriers to entry into the market. The CAPD's suggestion "that competition has already been negatively impacted because of the prior version of the rules did not provide enough protection to the CLEC's" is refuted by the united participation of ILECs, IXEs, independents, and CLECs in opposition to the implementation of the staff's rules as proposed on August 16, 2001.

Given the TRA's emphasis on promoting competition in Tennessee, the proposed regulations and the positions taken by the CAPD are an inappropriate throwback to pre-competition era regulatory methods. BellSouth again respectfully urges the Authority to either implement the regulations as revised and set forth by the industry's proposed rules on October 26, 2001 or grant an evidentiary hearing at which the factual basis for the TRA's staff proposed regulations can be determined and evidence can be presented concerning the performance level existing in 1995.

Cordially,

A handwritten signature in black ink, appearing to read "Joelle Phillips", written in a cursive style.

Joelle Phillips

JP/jej

CERTIFICATE OF SERVICE

I hereby certify that on February 15, 2002, a copy of the foregoing document was served on the parties of record, via the method indicated:

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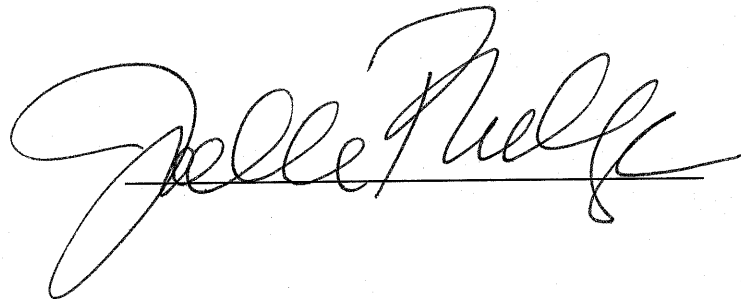
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A handwritten signature in cursive script, appearing to read "Dale Grimes", written over a horizontal line.